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## Furry Non-Fungible Tokens: Hermès International and the Fuzzy Standards Governing Trademark and NFTs

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**FURRY NON-FUNGIBLE TOKENS: *HERMÈS INTERNATIONAL*  
AND THE FUZZY STANDARDS GOVERNING  
TRADEMARK AND NFTS**

TABLE OF CONTENTS

I. INTRODUCTION.....	286
II. BACKGROUND: NON-FUNGIBLE TOKENS, THE BLOCKCHAIN, AND THE ROGERS TEST.....	290
<i>A. NFTs and Their Digital Connection to Blockchain</i> .....	290
<i>B. The Rise of NFTs and the Increasing Legal Problems         Surrounding Them</i> .....	293
<i>C. Introduction to the Rogers Test: A Possible Solution</i> .....	295
III. STATEMENT OF THE CASE: HERMÈS INTERNATIONAL V. ROTHSCHILD.....	296
<i>A. The Plaintiff and Their Legacy in the Fashion World</i> .....	297
<i>B. Where the Case Stands Today</i> .....	298
IV. FUZZY STANDARDS: TRADEMARK INFRINGEMENT OR FAIR USE? .....	301
<i>A. The Complaint: Hermès International’s Trademark         Infringement Allegations</i> .....	301
<i>B. The Answer: Rothschild’s First Amendment Fair Use         Defense</i> .....	302
V. THE ROGERS TEST, HERMÈS, AND NFTS: TRADITIONAL TRADEMARK LAWS AS APPLIED TO NFTS .....	304
<i>A. The Rogers Test and its Application to Hermès         International</i> .....	305
<i>B. The Future of Trademark Issues and NFTs</i> .....	310
VI. CONCLUSION .....	312

## I. INTRODUCTION

When Christie's, an international auction house known for selling ultra-luxury goods, sold a Non-Fungible Token (NFT) for \$1.6 million, NFTs gained credence in the investing world not previously seen in the cryptocurrency realm.<sup>1</sup> In 2021, fueled largely by cryptocurrency optimism,<sup>2</sup> sales of NFTs skyrocketed to over \$22 billion,<sup>3</sup> representing an increase of 21,900% in just one year. However, as global financial markets entered bear territory in 2022,<sup>4</sup> NFTs have seen a similarly steep decline in value.<sup>5</sup> Yet, the NFT market outlook remains hopeful given the extensive measures companies such as Budweiser, Gucci, Coca-Cola, and Autodesk are taking to expand their businesses into the metaverse, despite critics' contentions that NFTs are "a passing fad" not likely to last.<sup>6</sup> However, as big-name brands look to expand into Web3<sup>7</sup>, an in-

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1. Taylor Dafoe, *An NFT Sale at Christie's Brought in \$1.6 Million, Giving Digital Art Collectors Some Hope in the Wake of the Crypto Crash*, ARTNET NEWS (June 29, 2022), <https://news.artnet.com/market/christies-nft-sale-1-6-million-2138850>.

2. See Taylor Locke, *From bitcoin hitting \$1 trillion in market value to Elon Musk's dogecoin tweets: 12 key crypto moments from 2021*, CNBC: MAKE IT (Dec. 27, 2021), [https://www.cnbc.com/2021/12/27/12-key-moments-that-fueled-cryptos-record-growth-in-2021.html?cid=sm\\_npd\\_nn\\_fb\\_ma&fbclid=IwAR1e7O2rocRhMdq-gB3k0RwwZusvwfh1O9DdANORMIrumcVVRMuWRQZxyDw](https://www.cnbc.com/2021/12/27/12-key-moments-that-fueled-cryptos-record-growth-in-2021.html?cid=sm_npd_nn_fb_ma&fbclid=IwAR1e7O2rocRhMdq-gB3k0RwwZusvwfh1O9DdANORMIrumcVVRMuWRQZxyDw).

3. Shanti Escalante-De Mattei, *\$22 B. Spent on NFTs in 2021: Market for Burgeoning Medium Rapidly Expanded, Report Says*, ARTNEWS (Dec. 16, 2021), <https://www.artnews.com/art-news/market/2021-nft-sales-report-1234613782/>.

4. *The Average Bear Market Lasts 289 Days. How Long Do We Have Left?*, FORBES (Aug. 24, 2022), <https://www.forbes.com/sites/qai/2022/08/24/the-average-bear-market-lasts-289-days-how-long-do-we-have-left/?sh=b0de6bf5d5d3>. "A bear market is a term used by Wall Street when an index like the S&P 500, the Dow Jones Industrial Average, or even an individual stock, has fallen 20% or more from a recent high for a sustained period of time." Stan Choe & Alex Veiga, *The S&P 500 is in a bear market; here's what that means*, ASSOCIATED PRESS (June 14, 2022), <https://apnews.com/article/what-is-bear-market-74b248354eeda7403cd4b53cbffcc4515>.

5. Elizabeth Howcroft, *NFT sales plunge in Q3, down by 60% from Q2*, REUTERS (Oct. 3, 2022), <https://www.reuters.com/technology/nft-sales-plunge-q3-down-by-60-q2-2022-10-03/>.

6. Seb Murray, *Big Business Dives Into the Metaverse*, UVATODAY (July 8, 2022), <https://news.virginia.edu/content/big-business-dives-metaverse#:~:text=Budweiser%2C%20Gucci%2C%20Autodesk%2C%20Benetton,or%20services%2C%E2%80%9D%20Touve%20said>.

creased call for regulation of digital assets<sup>8</sup> anticipates their longevity by experts.

The law has lagged behind the rapid increase in new technology, leaving a lack of case law governing intellectual property infringement in online platforms. At the forefront of legal issues surrounding Web3 media is the mogul fashion house, Hermès. The iconic French brand, operating since 1837, is known for its famous Birkin bag.<sup>9</sup> The Birkin bag, which cannot be bought at a Hermès store, is as rare as it is expensive.<sup>10</sup> Yet in 2021, a marketing strategist and entrepreneur sought to capitalize on the fame of the bag, creating a series of 100 NFT “meta-bags” based on Hermès’s famed Birkin.<sup>11</sup> These digital bags made their online debut on OpenSea, an NFT marketplace, and sold for five to twenty-five Ethereum apiece (between \$13,000 and \$56,000, based on the exchange rate as of January 2022).<sup>12</sup> The only problem with the digital handbag, known as “MetaBirkins,”<sup>13</sup> are their origins: the bags were made by marketing strategist and entrepreneur, Mason Rothschild, not Hermès. Rothschild did not seek permission to use the Birkin trademark or trade dressed shape for his project.<sup>14</sup> The luxury brand has since prevailed in its suit against the artist for creating “knock-off handbags . . . in the

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7. *Id.* (“Web3 [is] an idea that its advocates and their venture-capital (VC) backers hail as a better, more decentralised version of the internet, built atop distribution ledgers known as blockchains.”).

8. The Securities and Exchange Commission (SEC) chairman, Gary Gensler, has made clear his desire to create a regulatory framework for cryptocurrency: the first U.S. futures-based bitcoin Electronically Traded Fund (ETF) launched on the New York Stock Exchange (ProShares Bitcoin Strategy (BITO)). Locke, *supra* note 2.

9. *About Hermès*, HERMÈS, <https://www.Hermès.com/us/en/story/271292-contemporary-artisans-since-1837/> (last visited Mar. 12, 2023).

10. To purchase a Birkin bag, you must first put your name on a waiting list in an Hermès boutique. *The Hermès Birkin: where to buy one, how much it will cost you and why the bags are so hard to find – and still so popular*, S. CHINA MORNING POST (Dec 9, 2021), <https://www.scmp.com/lifestyle/fashion-beauty/article/3158723/hermes-birkin-where-buy-one-how-much-it-will-cost-you-and>.

11. Taylor Dafoe, *Hermès is Suing a Digital Artist for Selling Unauthorized Birkin Bag NFTs in the Metaverse for as Much as Six Figures*, ARTNET NEWS (Jan. 26, 2022), <https://news.artnet.com/art-world/Hermès-metabirkins-2063954>.

12. *Id.*

13. *Id.*

14. *See generally* Hermès Int’l v. Rothschild, 590 F. Supp. 3d 647 (S.D.N.Y. 2022).

metaverse,”<sup>15</sup> on the basis that MetaBirkins infringed upon multiple registered trademarks owned by Hermès.<sup>16</sup>

While trademark law is well-established both in Congressional acts such as the Lanham Act<sup>17</sup> and case law throughout each federal circuit, trademark law has yet to be applied to NFTs. In this case of first impression, the Southern District Court of New York must evaluate how to apply trademark laws to NFTs.<sup>18</sup> The Southern District Court of New York contends that this is not a case of first impression for the Second Circuit since the Lanham Act covers intangible goods.<sup>19</sup> Yet, the Lanham Act has not yet been applied to metaphysical assets. The district court pointed out that NFTs, which are a virtual commodity, may be used as either wearable digital goods, or through the sale of the digital images of the goods.<sup>20</sup> Thus, while Rothschild’s MetaBirkins are not “worn” in the metaverse, the sale of the digital image can still infringe on the rights of the trademark holder. This comment—a mere footnote in the court’s order—may influence future cases concerning how companies address third parties who create digital wearable items (worn by avatars in the metaverse) that infringe on registered trademarks.<sup>21</sup>

This Note discusses the issues surrounding the lack of codified law concerning NFTs, using *Hermès Int’l v. Rothschild* as a foundation for its discussion. More specifically, this Note addresses the determination of when NFTs should be treated as expressive works, and when an NFT may be considered commercial work. While many NFTs warrant treatment as an expressive work, others created by companies to expand their consumer footprint to the metaverse should be treated as commercial goods, falling under a different standard. To someone unfamiliar with the intricacies of NFTs and their many uses, this may seem an arbitrary

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15. Dafoe, *supra* note 11.

16. Hermès International has 260 approved or pending trademarks registered with the Department of Commerce, Patent and Trademark Office (USPTO). *Hermès Trademarks*, GERBEN TRADEMARK LIBR. (Sept. 30, 2022), <https://www.gerbenlaw.com/trademarks/apparel/hermes/> [hereinafter *Hermès Trademarks*].

17. 15 U.S.C. §§ 1051–1072.

18. Tiffany Hu, *Copyright & TM Cases to Watch in the Second Half of 2022*, LAW360 (July 21, 2022, 9:06 PM), <https://www.law360.com/articles/1508233/copyright-tm-cases-to-watch-in-the-second-half-of-2022>.

19. *Hermès Int’l*, 590 F. Supp. 3d at 657.

20. *Hermès Int’l*, 603 F. Supp. 3d 98, n.1. See also Hu, *supra* note 18.

21. *Id.* See also *Hermès Int’l*, 590 F. Supp. 3d at 656 n.5.

line to draw. Yet, as will be further discussed in this Note, the nature of NFTs can differ dramatically in purpose, even though they may possess some aspect of creativity. As such, the United States Court of Appeals for the Second Circuit should draw a line between NFTs of a commercial nature (e.g., tokens used to unlock levels in video games), and truly artistic NFTs which are created for the purpose of contributing to the new digital art space.

The framework to create this distinction is already in place. The *Rogers Test*, a balancing test created by the Second Circuit<sup>22</sup>, addresses the distinction between an expressive work which warrants the protection of the First Amendment, and a commercial work, which does not.<sup>23</sup> However, the Second Circuit should use this case to draw the line between NFTs that are artistic works, and those that are not. As the *Rogers Test* is currently used, the factors weigh heavily in favor of a work with even the most minimal degree of creativity warranting First Amendment protections from trademark infringement claims.<sup>24</sup> To avoid further extension of the First Amendment defense's broad application, which ultimately undermines trademark rights, in the case of *Hermès v. Rothschild*, it is important for the court to give a narrow ruling. The *Rogers Test* appears to be sufficient for use in the case of *Hermès*, provided the court narrows its application to NFTs deemed works of art.<sup>25</sup>

Part II provides a brief overview and background of NFTs, their function, and how they relate to the "blockchain." This section also explores the rise in litigation surrounding these digital assets. Part III then explains the history of the MetaBirkins lawsuit, and the arguments presented by both sides. Part IV explains Rothschild's defense and the technicalities of raising the First Amendment right of fair use as a defense to trademark infringement. Section V discusses how the *Rogers Test* may best be applied and whether it is satisfactory in addressing the

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22. See generally *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989) (balancing factors of consumer confusion, which is the purpose of trademark law, with the First Amendment protection of freedom of expression, using factors including artistic relevance and explicitly misleading content).

23. Jacob Schneider, *The Metaverse: Artistic Uses of Trademarks in Virtual Spaces*, CASETEXT (Oct. 18, 2022), <https://casetext.com/analysis/the-metaverse-artistic-uses-of-trademarks-in-virtual-spaces?sort=relevance&resultsNav=false&q=>.

24. *Id.*

25. NFTs take many forms that are not considered works of art, including gaming tokens and other commercial products that are subject to the Lanham Act.

unique nature of trademark infringement concerning NFTs. Finally, Section VI of this Note concludes with a brief overview and prediction of how future NFT cases in the intellectual property realm may evolve as NFTs become more accessible to the general public.

## II. BACKGROUND: NON-FUNGIBLE TOKENS, THE BLOCKCHAIN, AND THE ROGERS TEST

### A. *NFTs and Their Digital Connection to Blockchain*

An NFT is a unique digital asset which is now a staple of the digital world.<sup>26</sup> NFTs are connected to the blockchain,<sup>27</sup> a “shared, immutable ledger” which enables the tracking and recording of assets and transactions.<sup>28</sup> Virtually anything may be tracked or traded on the blockchain safely because it is decentralized<sup>29</sup> and cannot be altered once the transaction is recorded on the ledger.<sup>30</sup> Each of these transactions is recorded as a “block” of computer data, and each block is then connected to the ones that are created before and after it; thus creating a “chain.”<sup>31</sup> In simpler terms, each “block” of data is akin to one LEGO brick. Each block that comes after it is then connected, building upon one another until it creates something larger, the blockchain. However, unlike LEGO bricks, which can be removed and reconnected over and over, once a “block” of data is added, it becomes a permanent addition to the blockchain that cannot be altered or removed.<sup>32</sup>

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26. Mitchell Clark, *NFTs, Explained*, THE VERGE (June 6, 2022), <https://www.theverge.com/22310188/nft-explainer-what-is-blockchain-crypto-art-faq>.

27. The “blockchain” is a term generally used to describe any immutable ledger, however, many different independent blockchains exist, such as Ethereum or Bitcoin. *See id.*

28. *What is blockchain technology?*, IBM, <https://www.ibm.com/topics/what-is-blockchain> (last visited Dec. 22, 2022).

29. Decentralized means that no single person owns or runs the blockchain, but rather, it is governed by users and can only be accessed with members of the blockchain who have permission. *See id.*

30. *Id.*

31. *Id.*

32. *Id.* *See also* LEGO, BRITANNICA.COM, <https://www.britannica.com/topic/LEGO> (last visited Dec. 22, 2022) (describing that LEGO blocks are a children’s toy made of plastic bricks that have interlocking studs).

Trading digital currencies is the most common type of transaction attached to the blockchain, of which there are two types: fungible and non-fungible.<sup>33</sup> Of these assets, NFTs are becoming increasingly popular. The “non-fungible” part of the name indicates that each NFT is unique and cannot be replicated or recreated.<sup>34</sup> An NFT is a “unit[] of data stored on a blockchain” which may be used to transfer ownership of physical or digital assets.<sup>35</sup> The digital image itself is not connected to the blockchain, but rather, the NFT’s digital code is attached to a “smart contract” and thus connected to a specific location on the blockchain.<sup>36</sup> A “smart contract” is a computer program that is set to run if certain predetermined coded conditions are met.<sup>37</sup> In other words, if/then statements are written into the code that connects the NFT to the blockchain that may result in actions such as releasing funds, sending notifications, or registering physical assets.<sup>38</sup>

Furthermore, NFTs are usually connected specifically to the Ethereum blockchain.<sup>39</sup> Because of the unique standard of Ethereum, which aims “to distinguish each token with distinguishable signs,”<sup>40</sup> this differs from other cryptocurrencies like Dogecoin and Bitcoin because each individual coin is identical.<sup>41</sup> To compare to something tangible, an NFT would be similar to buying a mined diamond. Each diamond has its own unique inclusions, variances in color, cut, and size, and holds different values based on changing market values in the diamond industry. On the contrary, other types of fungible cryptocurrencies are similar to buying a

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33. Clark, *supra* note 26.

34. *Id.*

35. *Hermès Int’l v. Rothschild*, 603 F. Supp. 3d 98, 100 (S.D.N.Y. 2022).

36. *Id.*

37. *Smart Contracts Defined*, IBM, [https://www.ibm.com/topics/smart-contracts?mhsrc=ibmsearch\\_a&mhq=smart%20contracts%20in%20blockchain](https://www.ibm.com/topics/smart-contracts?mhsrc=ibmsearch_a&mhq=smart%20contracts%20in%20blockchain) (last visited Apr. 2, 2023).

38. *Id.*

39. Clark, *supra* note 26. While a significant number of NFTs are connected to Ethereum, some NFTs are connected to other blockchains such as Zilliqa and Solana. *From Zilliqa to Solana: Here are 6 Non-Ethereum NFT Projects to Look Out For*, CHAIN DEBRIEF (Sept. 15, 2021), <https://chaindebrief.com/non-ethereum-nft-projects-zilliqa-solana/>.

40. QIN WANG ET AL., NON-FUNGIBLE TOKEN (NFT): OVERVIEW, EVALUATION, OPPORTUNITIES AND CHALLENGES, CORNELL UNI.: ARXIV 1 (2021), <https://arXiv.org/pdf/2105.07447.pdf>.

41. *Id.*



lab-grown diamond: the artificial creation results in diamonds that are nearly the same, with only slight variations. Just as there are slight variations from one type of cryptocurrency to another, such as Bitcoin and Dogecoin.<sup>42</sup>

Since NFTs are usually attached to a specified location on the Ethereum blockchain, they cannot be replicated, reproduced, or digitally altered.<sup>43</sup> In other words, the smart contract denotes a specific, unique location which can be used to authenticate the digital file to which it is attached.<sup>44</sup> Smart contracts were an addition to the Ethereum blockchain beginning with the Ethereum Improvement Proposal, EIP-721.<sup>45</sup> The smart contract is updated each time the token is sold, and automatically stores the sales history, creating a log of historical asset values.<sup>46</sup> Because of the function of the smart contracts, NFTs can operate as investments that can store and increase in value,<sup>47</sup> similar to owning Exchange Traded Funds (ETFs) in the stock market.<sup>48</sup>

While NFTs are primarily known for their mark in the digital art world, NFTs are also used in online gaming, and in ways akin to trading rare baseball cards or collectible stamps. CryptoPunks, one of the first NFTs on Ethereum, has minted over 10,000 “collectible punks,” which

42. While one Dogecoin is equal to another Dogecoin, one Dogecoin is not equal to one Bitcoin: although they are interchangeable (fungible), they do not each carry the same value, similar to the difference in value between the United States Dollar and the United Kingdom Pound. *See Bitcoin Price*, COINDESK, <https://www.coindesk.com/price/bitcoin/> (last visited Dec. 18, 2022). *See also Dogecoin Price*, COINDESK, <https://www.coindesk.com/price/dogecoin/> (last visited Dec. 18, 2022).

43. Robyn Conti, *What Is An NFT? Non-Fungible Tokens Explained*, FORBES ADVISOR (Mar. 17, 2023, 12:57 AM), <https://www.forbes.com/advisor/investing/cryptocurrency/nft-non-fungible-token/>.

44. WANG ET AL., *supra* note 40.

45. *Id.* Ethereum Improvement Proposals (EIPs) are standards used to improve the Ethereum Platform, (similar to a software upgrade) which is an update to the smart contract code. Each change goes through an eight-step process which includes peer-review before implementation on the blockchain. *See generally Ethereum Improvement Proposals*, ETHEREUM, <https://eips.ethereum.org/>.

46. WANG ET AL., *supra* note 40.

47. *Hermès Int'l v. Rothschild*, 603 F. Supp. 3d 98, 100 (S.D.N.Y. 2022).

48. An Exchange Traded Fund (ETF) is a type of investment security similar to an index fund, which can be used to track index funds and investment strategies (NFTs can be used similarly to track the cryptocurrency market because of their connection to the blockchain). James Chen, *Exchange Traded Fund (ETF) Explanation With Pros and Cons*, INVESTOPEDIA (OCT. 17, 2022), <https://www.investopedia.com/terms/e/etf.asp>.

are part of the ERC-721 NFTs.<sup>49</sup> CryptoKitties, another type of collectible NFT, available as early as 2017,<sup>50</sup> was dismissed as the “digital beanie babies epitomizing the cryptocurrency mania.”<sup>51</sup> Yet, despite the generally negative press associated with the rise in cryptocurrencies and digital tokens, their impression on the digital marketplace has proved enduring. In a twenty-four-hour trading period, the crypto market volume averages \$41 billion<sup>52</sup>, and the NFT market volume averages nearly \$6.5 billion on OpenSea<sup>53</sup>. The market cap for the entire cryptocurrency market stands at over \$1 trillion.<sup>54</sup> Mike Winkelmann, an artist known professionally as “Beeple,” set the record for the most expensive NFT ever sold with his artwork, *The First 5000 Days*, selling for a ground-breaking \$69,300,000 at Christie’s.<sup>55</sup>

### *B. The Rise of NFTs and the Increasing Legal Problems Surrounding Them*

Selling GIFs<sup>56</sup> of Nyan Cat (a flying cat with a Pop-Tart as a body) appeared to be more a trend than a lasting form of global currency.<sup>57</sup> However, NFTs have maintained both relevance, market value, and vol-

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49. This standard for NFTs is a type of token that is derived from the same smart contract. Although these tokens are derived from the same contract, they may be owned by different individuals. WANG ET AL., *supra* note 40.

50. *Id.*

51. Evelyn Cheng, *Meet CryptoKitties, the \$100,000 digital beanie babies epitomizing the cryptocurrency mania*, CNBC: MARKETS (Dec. 6, 2017, 5:30 PM), <https://www.cnbc.com/2017/12/06/meet-cryptokitties-the-new-digital-beanie-babies-selling-for-100k.html>.

52. *Today’s Cryptocurrency Prices by Market Cap*, COINMARKETCAP, <https://coinmarketcap.com/> (last visited Mar. 3, 2023).

53. Riley Adams, *30 NFT Statistics to Understand in 2023 [Market, Sales & Trends]*, YOUNG AND THE INVESTED (Mar. 31, 2023), <https://youngandtheinvested.com/nft-statistics/>.

54. *Today’s Cryptocurrency Prices*, *supra* note 52.

55. Market numbers are given in U.S. dollars, but NFTs are bought and sold using cryptocurrency, and are “stored” in digital “wallets.” Conti, *supra* note 43.

56. Graphic interchange format (GIF) is a digital format usually of a short moving image or video clip. *GIF*, ENCYC. BRITANNICA, <https://www.britannica.com/technology/GIF> (last visited Apr. 2, 2023).

57. *Nyan Cat*, OPEANSEA, <https://opensea.io/assets/ethereum/0x3b3ee1931dc30c1957379fac9aba94d1c48a5405/219> (last visited Mar. 3 2023).

ume.<sup>58</sup> The sustained interest has attracted many artists and businesses alike who have minted NFTs. These NFTs are sold at luxury auction houses like Christie’s and Sotheby’s, or on digital marketplaces such as OpenSea, Rarible, and Foundation.<sup>59</sup> Celebrities—including Melania Trump<sup>60</sup>, Quentin Tarantino<sup>61</sup>, Grimes<sup>62</sup>, and Paris Hilton<sup>63</sup>—are minting their own NFTs in the hopes of entering an emerging marketplace and making a profit.

Nevertheless, in the rush to enter the new and evolving field of digital token art, a slew of lawsuits shrouds the digital investment landscape in uncertainty. Quentin Tarantino, who minted and sold a series of NFTs with content from his movie *Pulp Fiction*, was sued by the film’s producer, Miramax.<sup>64</sup> The studio asserted that Tarantino’s NFT infringed on its copyright of the film.<sup>65</sup> Similarly, Yuga Labs, Inc.—the company behind the popular Bored Apes Yacht Club (BAYC) tokens—sued Ryder Ripps and others for “trolling Yuga Labs and scamming consumers into purchasing RR/BAYC NFTs by misusing Yuga Labs’ trademarks.”<sup>66</sup> Like many other NFT cases, the BAYC lawsuit is still pending litigation.<sup>67</sup> Legal issues in these lawsuits include: common law trademark infringement and false designation of origin (as in *Bored Apes*); cybersquatting, unjust enrichment, violations of the California Business and Professions

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58. WANG ET AL., *supra* note 40.

59. Conti, *supra* note 43.

60. *NFT Collections*, MELANIA TRUMP, <https://melaniatrump.com/nfts> (last visited Mar. 3, 2023).

61. Emily Behzadi, *The Fiction of NFT and Copyright Infringement*, U. PENN. L. REV. BLOG (Apr. 12, 2022), <https://www.pennlawreview.com/2022/04/12/the-fiction-of-nfts-and-copyright-infringement/>.

62. Clark, *supra* note 26.

63. *NFT Archives*, PARIS, <https://parishilton.com/category/nfts/> (last visited Dec. 19, 2022).

64. Complaint at 1, *Miramax, LLC v. Quentin Tarantino*, No. 21-cv-08979 FMO (C.D. Cal. Nov. 17, 2021).

65. Behzadi, *supra* note 61.

66. *From Hermès to Bored Apes: A Running List of Key Lawsuits Over NFTs*, THE FASHION LAW (Sept. 9, 2022), <https://www.thefashionlaw.com/from-Hermès-to-bored-apes-a-running-list-of-key-lawsuits-over-nfts/> [hereinafter *From Hermès to Bored Apes*] (website archive on file with the *California Western Law Review*).

67. *Id.*

Code; and unfair competition (*Hermès International v. Rothschild*).<sup>68</sup> As NFTs become mainstream, the legal market has yet to catch up.

As cases of first impression begin to reach courts around the country, judges and legislators will need to decide how to handle the issues of blockchain intellectual property. One case, *Hermès International v. Rothschild*, will likely reach higher courts and set a precedent for future NFT litigation.<sup>69</sup>

### C. Introduction to the Rogers Test: A Possible Solution

As these complex cases reach the courts, judges will apply or modify previously established case law to fit the facts of each case. For example, in the case of trademark infringement in the Web3 space, the *Rogers* Test will likely emerge as the test used to determine whether the Lanham Act applies to NFTs.

The *Rogers* Test originates from *Rogers v. Grimaldi*, a 1989 copyright case from the Second Circuit.<sup>70</sup> In it, Ginger Rogers sued Alberto Grimaldi of MGM Studios for producing the 1986 film by Federico Fellini, *Ginger and Fred*. The film depicted two Italian cabaret performers named Pippo and Amelia who imitate the performance style of Ginger Rogers and Fred Astaire.<sup>71</sup> Rogers claimed that the film violated her trademark rights of publicity under the Lanham Act.<sup>72</sup> This seminal case was the first application of a First Amendment defense in a trademark infringement case.<sup>73</sup> The court held that First Amendment protections for free speech safeguarded the studio from Rogers's infringement claims.<sup>74</sup>

The court used a two-factor test to conclude that the First Amendment defense protected the film.<sup>75</sup> According to the decision, artwork does not fall under the Lanham Act and infringe trademark if the court finds that: (1) the name or mark is “minimally artistically relevant,” to

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68. *Id.*

69. *Id.*

70. *See generally* *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989).

71. *Id.* at 1006.

72. *Id.* at 1005.

73. Scott J. Sholder, *Fair Use and First Amendment Defenses (Trademark Litigation)*, LexisNexis: Practical Guidance (database updated Feb. 21, 2023).

74. Daniel Jacob Wright, *Explicitly Explicit: The Rogers Test and the Ninth Circuit*, 21 U. GA. J. INTELL. PROP. L. 1, 193, 201 (2013).

75. Schneider, *supra* note 23.

the product, or (2) the use does not “explicitly mislead” the content and relation of the work of art to the trademark.<sup>76</sup> For this test to apply, however, a court must first decide whether the infringing work at hand is an expressive work or a work that falls under commercial speech.<sup>77</sup>

Using the *Rogers* framework to decide the *Hermès* case will extend traditional trademark laws to unique Web3 items, though it may create issues in its practical application. If the scope of the test is not limited to NFTs minted for the *sole* purpose of non-commercial art—unlike NFTs, which may have creative elements but are for commercial purposes—courts will encounter issues applying traditional first amendment tests in deciding future cases. The *Hermès* decision is an opportunity to limit the application of the *Rogers* Test because the facts involve a balance of trademark holders’ rights and artistic freedom of expression.

### III. STATEMENT OF THE CASE: HERMÈS INTERNATIONAL V. ROTHSCHILD

In January 2022, Hermès International filed a claim against Mason Rothschild in the Southern District Court of New York. Hermès brought several causes of action including trademark infringement, federal trademark dilution, false descriptions and representations, cybersquatting, injury to business reputation, misappropriation, and unfair competition.<sup>78</sup> The lawsuit stems from two collections of NFTs minted by Mason Rothschild. The first NFT Rothschild minted was called “Baby Birkin” and featured an animation of a human fetus inside the shape of the iconic Hermès Birkin bag.<sup>79</sup> Shortly after releasing the Baby Birkin, Rothschild minted a second series of NFTs that featured furry digital bags, again in the shape of a Birkin bag.<sup>80</sup> Hermès claims that the

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76. Howard Hogan & Connor Sullivan, *New District Court Decision Provides Useful Guidance on Application of Trademark Law to Virtual Goods*, GIBSON DUNN (May 20, 2022), <https://www.gibsondunn.com/new-district-court-decision-provides-useful-guidance-on-application-of-trademark-law-to-virtual-goods/>.

77. *Rogers v. Grimaldi*, 875 F.2d 994, 997 (2d Cir. 1989) (providing that a designation of commercial speech would mean the art has no artistic value and is for commercial purposes only).

78. *See generally* *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647, 650 (S.D.N.Y. 2022).

79. Dafoe, *supra* note 11.

80. *Id.*

“knock-off” NFT handbags are the product of Rothschild’s agenda as a “digital speculator ... seeking to get rich quick.”<sup>81</sup>

*A. The Plaintiff and Their Legacy in the Fashion World*

To understand the breadth of the claims lodged by the fashion house against the digital creator, it is helpful to understand the origins of the brand. Hermès is a family-run, independent luxury brand founded in 1837.<sup>82</sup> The French fashion brand has long graced the world’s most fashionable streets in New York, Milan, London, Paris, and more, totaling 300 stores in forty-five countries.<sup>83</sup> While the fashion house is known for its equestrian style and colorful scarves, the Birkin bag is its most famous and iconic product.<sup>84</sup>

In 1983, British actress Jane Birkin sat next to the Executive Chairman of Hermès, Jean-Louis Dumas, on a flight from Paris to London.<sup>85</sup> Birkin complained that she could not find a bag suitable for the needs of a young mother.<sup>86</sup> Recognizing her needs, Dumas immediately sketched the first version of the bag, later incorporating a roomy interior and a secure outer-lock.<sup>87</sup> Dumas even included a space inside to fit her baby’s bottles.<sup>88</sup> The original idea for the bag had modest and practical beginnings. Over time, however, Hermès began using “rare heritage leather.”<sup>89</sup> The ultra-high grade leather is “entirely vegetable-tanned natural cowhide,” and has become the apex standard of luxury. Birkin bags cost anywhere from \$40,000 to an astonishing \$500,000.<sup>90</sup>

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81. *Id.*

82. *About Hermès, supra* note 9.

83. *Id.*

84. *A Brief History of the Birkin Bag – The Holy Grail Handbag*, MADISON AVENUE COUTURE (Oct. 31, 2022), [https://madisonavenuecouture.com/blogs/news/a-brief-history-of-the-birkin-bag-the-holy-grail-handbag?campaignid=17208881974&adgroupid=&creative=&keyword=&matchtype=&device=c&gclid=CjwKCAjwkaSaBhA4EiwALBgQaC73h2fyHWwa4-8-54Yno4HbV4qrJ7te8SB4\\_tvIRttKdDPp2JBN8xoCBH4QAvD\\_BwE](https://madisonavenuecouture.com/blogs/news/a-brief-history-of-the-birkin-bag-the-holy-grail-handbag?campaignid=17208881974&adgroupid=&creative=&keyword=&matchtype=&device=c&gclid=CjwKCAjwkaSaBhA4EiwALBgQaC73h2fyHWwa4-8-54Yno4HbV4qrJ7te8SB4_tvIRttKdDPp2JBN8xoCBH4QAvD_BwE).

85. *Id.*

86. *Id.*

87. *Id.*

88. *About Hermès, supra* note 9.

89. *A Brief History of the Birkin Bag, supra* note 84.

90. *Dafoe, supra* note 11.

The brand has been extensively featured in pop culture; adorned by characters in shows and movies such as *Sex and the City*, *Gilmore Girls*, and *The Proposal*.<sup>91</sup> Celebrities are known for carrying the bag as well. Victoria Beckham is rumored to have a collection of over 100 Birkin bags, while Kim Kardashian was seen in 2013 sporting a \$40,000 Birkin finger-painted by her then-infant daughter.<sup>92</sup>

While it may seem that the taste of the ultra-elite would be unimportant in a legal proceeding, in the case of *Hermès International v. Rothschild*, the bags' recognition and reputation is central to the controversy. Since the fashion house owns numerous trademarks and has countless trade dress registrations with the United States Patent and Trademark Office (USPTO),<sup>93</sup> the federal protections offered by its registered marks create a seemingly dispositive case of trademark infringement. Yet, as is discussed in the next section, the digital nature of the NFT coupled with other unique factors creates the perfect storm for an exceedingly complex case that will define the rights of future NFT minters.

### B. *Where the Case Stands Today*

Hermès filed the initial complaint in January 2022.<sup>94</sup> In response, Rothschild and his attorneys filed two unsuccessful motions to dismiss the case.<sup>95</sup> The first motion was filed on February 9, 2022,<sup>96</sup> to dismiss the case for failure to state a claim on which relief could be granted<sup>97</sup> and was swiftly denied by the court.<sup>98</sup>

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91. Michelle Varinata, *The Most Iconic Celebrity Birkin Moment Ever*, HARPER'S BAZAAR (Nov. 14, 2021) <https://www.harpersbazaar.com.sg/gallery/iconic-celebrity-birkin-moments/>; *Hermès Movie Magic: When Birkins and Kellys Steal the Show*, PURSE BOP, <https://www.pursebop.com/Hermès-movie-magic-birkins-and-kellys-steal-the-show/> (Last visited Dec. 2, 2022).

92. *Id.*

93. See *Hermès Trademarks*, *supra* note 16.

94. Dafoe, *supra* note 11.

95. See *Hermès Int'l v. Rothschild*, No. 22-cv-384 (AJN), 2022 U.S. Dist. LEXIS 24376, at \*1 (S.D.N.Y. Feb. 10, 2022) (noticing Hermès of defendant's motion to dismiss); *Hermès Int'l v. Rothschild*, 603 F. Supp. 3d 98, 100, (S.D.N.Y. 2022) (denying parties' amended cross motions for summary judgment).

96. *Hermès Int'l*, 603 F. Supp. 3d at 100.

97. *Id.*

98. *Id.*

The opinion and order for interlocutory review discussed the applicability of the Lanham Act and whether the “MetaBirkins” were a source indicator of artistic expression.<sup>99</sup> Although Hermès contended that the *Rogers Test*<sup>100</sup> did not apply to the case at hand, the court disagreed: it stated that the *Rogers Test* applied to this case (at least in part) for the trademark infringement analysis of the use of “MetaBirkins.”<sup>101</sup> Additionally, the court examined the defenses to trademark infringement argued by Rothschild. Rothschild claimed the affirmative defense of the First Amendment right of fair use. Rothschild argued that “‘MetaBirkins’ is the title of the artwork” and not a source identifier of his products.<sup>102</sup> He claimed that because MetaBirkins is not a source identifier, his artistic expression is covered under the First Amendment protection as illustrated in *Rogers v. Grimaldi*.<sup>103</sup>

Furthermore, *Rogers* requires a degree of artistic relevance attached to the artwork rather than commercial speech to warrant First Amendment protections. If “the speech at issue [ ] is not primarily intended to serve a commercial purpose, the prohibitions of the Lanham Act do not apply. . . .”<sup>104</sup> The court went on to state that this balance would generally not support an application of the Lanham Act unless it is a case where the title has no artistic relevance to the work of art or has some artistic relevance. This, however, only applies if the title does not explicitly mislead consumers regarding the source of origination. The court acknowledged that while the digital image attached to the NFT “may reflect some artistic creativity,” if the “commercial aspects of a work are

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99. *Id.*

100. *Rogers v. Grimaldi*, 875 F.2d 994 (2d Cir. 1989). See discussion *supra* Part I, section C.

101. *Hermès Int’l*, 603 F. Supp. 3d at 103.

102. *Id.*; Defendant’s Mot. to Dismiss at 24, *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647, 657 (S.D.N.Y. 2022) (No. 22-cv-384 (JSR)); *McGurr v. N.Face Apparel Corp*, No. 2:21-cv-00269-SB (PDx), 2021 U.S. Dist. LEXIS 154725, at \*4 (C.D. Cal. June 1, 2021) (citing 15 U.S.C. § 1127) (“A trademark is a source identifier that is statutorily defined to include ‘any word, name, symbol, or device, or any combination thereof . . . used by a person . . . to indicate the source of the goods . . . .’”).

103. *Hermès Int’l*, 603 F. Supp. 3d at 102–03.

104. *Rogers v. Grimaldi*, 695 F. Supp. 112, 120 (S.D.N.Y. 1988), *aff’d*, 875 F.2d 994 (2d Cir. 1989).



intertwined with artistic content, the trademark-suing speech must be treated as noncommercial.”<sup>105</sup>

While a smattering of NFT lawsuits have reached courts across the United States, the *Hermès* opinion is the first that categorized an NFT as “noncommercial” speech. It may be advantageous for minters of NFTs to find refuge under the free speech protections of the First Amendment, but this is not likely to solve the issue of infringement claims running rampant within the digital space. As the Southern District of New York keenly pointed out:

[B]ecause NFTs are simply code pointing to where a digital image is located and authenticating the image, using NFTs to authenticate an image and allow for traceable subsequent resale and transfer does not make the image a commodity without First Amendment protection any more than selling numbered copies of physical paintings would make the paintings commodities for purpose of *Rogers*.<sup>106</sup>

Rothschild’s motions to dismiss and interlocutory review were all subsequently denied by the trial court. The denial of Rothschild’s second motion propelled the case to trial in early February of 2023, and the nine-person jury delivered a verdict for *Hermès International*.<sup>107</sup> Rothschild and his attorneys stated at the conclusion of the trial that they planned to appeal the verdict,<sup>108</sup> which would provide an opportunity for the Second Circuit to further clarify standards for NFT trademark disputes. Since the jury trial, Rothschild has continued litigating the issue by filing a motion for judgement as a matter of law or a new trial.<sup>109</sup> *Hermès* has coun-

105. *Hermès Int’l*, 603 F. Supp 3d at 104.

106. *Id.*

107. *Hermès v. Rothschild: A Timeline of Developments in a Case Over Trademarks, NFTs*, THE FASHION LAW (Feb. 24, 2023), <https://www.thefashionlaw.com/hermes-v-rothschild-a-timeline-of-developments-in-a-case-over-trademarks-nfts/#:~:text=Feb.%2014%2C%202023%3A%20The,judgment%20in%20favor%20of%20Herm%C3%A8s.>

108. Adriana Lee, *Mason Rothschild Speaks About Hermès NFT Case*, WOMEN’S WEAR DAILY (Nov. 22, 2022, 6:59 PM), <https://wwd.com/business-news/technology/metabirkins-mason-rothschild-hermes-nft-case-1235427843/>.

109. *Hermès v. Rothschild: A Timeline of Developments in a Case Over Trademarks, NFTs*, THE FASHION LAW (Feb. 24, 2023), <https://www.thefashionlaw.com/hermes-v-rothschild-a-timeline-of-developments-in-a-case-over-trademarks-nfts/#:~:text=Feb.%2014%2C%202023%3A%20The,judgment%20in%20favor%20of%20Herm%C3%A8s.>

tered with a motion for a permanent injunction, asking the district court to permanently block Rothschild's sale and promotion of Metabirkins.<sup>110</sup>

#### IV. FUZZY STANDARDS: TRADEMARK INFRINGEMENT OR FAIR USE?

The opinions and other litigation documents filed by both parties provide insight into what the future of NFT lawsuits may look like. The current amended complaint includes numerous causes of action, which, if successful, could lay the foundation for future plaintiffs in validating similar digital copyright disputes. Conversely, treating NFTs as expressive works under the *Rogers* Test may enable future creators to comment on consumerism and other topics through artistic depictions of trademarked items. Although the outcome of this case remains undecided as it makes its way through the appeals process, much can be gleaned from the case as it currently stands.

##### A. *The Complaint: Hermès International's Trademark Infringement Allegations*

In Hermès International's January 2022 amended complaint against Rothschild, the fashion giant alleged numerous torts including trademark infringement, cybersquatting, and trademark dilution under the New York General Business Law.<sup>111</sup> Hermès alleged that after sending Rothschild a cease-and-desist letter, Rothschild "flatly refused to stop selling METABIRKINS NFTs." Hermès argued this caused consumer confusion based on proof of actual confusion in the media. Media outlets including *Elle Magazine*, *The New York Post*, and *L'Officiel* erroneously reported that Rothschild and Hermès collaborated on the NFT project.<sup>112</sup> In addition, Hermès alleged that Rothschild's use of "Birkin" in "MetaBirkin" and "metabirkins.com" amounted to trademark infringement and cybersquatting. Per Hermès, the NFT and website titles misled consumers into believing that the NFTs were authorized by Hermès, diluting their name and harming their business reputation.<sup>113</sup> Hermès further alleged that MetaBirkins explicitly misled consumers as part of a marketing strategy

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110. *Id.*

111. *Hermès Int'l*, 603 F. Supp. 3d at 100.

112. *Hermès v. Rothschild: A Timeline of Developments*, *supra* note 107.

113. Hogan et al., *supra* note 76.

to gain notoriety and is ultimately a generic name for “Birkins in the metaverse.”<sup>114</sup>

Taken at face value, this may seem to be a standard trademark infringement case. However, Hermès’s complaint is unique. Hermès alleged Rothschild sought to “create the same kind of illusion that [the Birkin] has in real life as a digital commodity,” and impute the real-world value of the bag to its reapplication in the metaverse.<sup>115</sup> Ultimately, with Rothschild making an online, mock-version of the physical Birkin, this case hinges on whether a trademark may be infringed in the digital landscape.

Hermès’s complaint is also unique in that it alleges that Rothschild is not an artist, but rather a marketing strategist who has never successfully sold or created NFTs or artwork.<sup>116</sup> Such a distinction is essential for one prong of the *Rogers* Test, which requires the artistic significance of the alleged infringing artwork for the court to find fair use.<sup>117</sup> It appears that Hermès will use this fact to undermine the relevance of the MetaBirkins to the art world.

### *B. The Answer: Rothschild’s First Amendment Fair Use Defense*

In response to the complaint filed by Hermès, Rothschild filed multiple motions to dismiss, a motion for interlocutory appeal, and a motion for summary judgement. As may have been predicted by the denial of Rothschild’s multiple motions, the trial court did not find Rothschild’s defense convincing. Although the case has not yet made its way through the appeals process, the court will likely recognize the originality of the issue at hand and may not want to make a hasty decision given the deference this case will have due to its first-impression status.<sup>118</sup>

Rothschild’s defense hinged on the fair use doctrine, citing *Rogers*, and asserted that his artwork did not infringe on the Birkin trademark.<sup>119</sup> The court looks to see that (1) the name or mark is “minimally artistical-

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114. Amended Complaint & Demand for Jury Trial at 2, *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647, 657 (S.D.N.Y. 2022) (No. 22-cv-384 (JSR)).

115. *Id.* at 3.

116. *Id.* at 4.

117. *Rogers v. Grimaldi*, 695 F. Supp. 112, 120 (S.D.N.Y. 1988).

118. *See Hu*, *supra* note 18.

119. Def.’s Mot. to Dismiss at 7, *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647 (S.D.N.Y. 2022) (No. 22-cv-384 (JSR)).

ly relevant,” to the product or (2) the use does not “explicitly mislead” the content and relation of the work of art to the trademark.<sup>120</sup> In applying the *Rogers* Test, Rothschild argued that “Birkin” is “minimally artistically relevant” to the MetaBirkins because his digital project focuses on the fashion industry’s cruelty to animals. Rothschild claimed that Birkin bags, made of animal hide, symbolize this cruelty.<sup>121</sup> Rothschild further argued that implicit confusion (i.e., media outlets’ assumptions about a purported collaboration) is insufficient to satisfy the second prong under *Rogers*. In other words, Rothschild argued that *Rogers*’s second prong requires that only explicitly misleading use of the trademark will satisfy the second prong of *Rogers*, not implicit confusion, as Rothschild contends exists in this case.<sup>122</sup>

Interestingly, Rothschild also cited to a quote from the Ninth Circuit regarding the balance between artistic expression in the art world and consumer confusion:

If we see a painting titled ‘Campbell’s Chicken Noodle Soup,’ we’re unlikely to believe that Campbell’s has branched out into the art business. Nor, upon hearing Janis Joplin croon, ‘Oh Lord, won’t you buy me a Mercedes—Benz?,’ would we suspect that she and the carmaker had entered into a joint venture. A title tells us something about the underlying work but seldom speaks to its origins.<sup>123</sup>

While this is true of traditional artwork and well-settled in the courts, NFTs do not neatly fit into the mold of traditional art for several reasons. First, NFTs are not simply art for the sake of art, nor are NFTs merely art that contributes to the art community. Rather, NFTs, with their attachment to the blockchain, hold inherent value akin to real estate in a high-end market. Second, the NFT market is not solely a market to buy and sell artwork by artists. Big-name household brands like Adidas, Budweiser, McDonalds, and Coca Cola are also adopting and utilizing NFTs.<sup>124</sup> McDonald’s, for example, minted an NFT depicting one of its

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120. Hogan et al., *supra* note 76.

121. Def.’s Mot. to Dismiss, *supra* note 119, at 1, 8.

122. *Id.* at 12.

123. *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002).

124. Breanna Jacobs, *10 Examples of Brands Leading the Way with NFTs*, SOCIAL MEDIA STRATEGY SUMMIT: BLOG (Sept. 9, 2022), <https://blog.socialmediastrategiesummit.com/brands-using-nfts/>.

most famous menu offerings, the McRib.<sup>125</sup> Other brands branched out into the world of NFTs to offer their products in the digital universe at prices both affordable and extravagant. The diverse offerings by companies at multiple price points demonstrates how trademark owners' rights extend into the digital landscape and beyond the realm of art for art's sake. Thus, previous cases in trademark and copyright law become problematic when applied to NFTs.

For example, in *Mattel v. MCA Records*, the Danish rock band Aqua recorded a song called "Barbie Girl," poking fun at the children's doll by the same name.<sup>126</sup> Mattel—the manufacturer of the doll—subsequently sued for copyright and trademark infringement.<sup>127</sup> The ruling in *Mattel* no longer holds the same relevance it did when the case was decided in early 2002, prior to the birth of cryptocurrencies and the rise of NFTs. Today, similar to the false endorsement assumed by multiple publications, an NFT with blatant use of a trademark may cause consumer confusion. Such confusion is understandable given the NFT market is rapidly expanding and legitimate companies are now regularly using their intellectual property to mint trademarked items.<sup>128</sup> With the inherent value attached to NFTs because of their connection to the blockchain, consumer confusion can either intentionally or unintentionally mislead consumers into believing the purchased NFT has the value of a brand behind it, when it in fact may not, à la MetaBirkins. For this reason, *Hermès* offers the courts a chance to narrowly apply the *Rogers* standard to better fit the unique concepts and issues in NFT litigation.

#### V. THE ROGERS TEST, HERMÈS, AND NFTS: TRADITIONAL TRADEMARK LAWS AS APPLIED TO NFTS

Notwithstanding legal solutions that may encompass both securities and contract law, in *Hermès*, the Second Circuit may take two very different approaches when applying the *Rogers* test to trademark infringement that specifically deals with NFTs. Given the case's novel intersection of NFTs and trademark infringement,<sup>129</sup> the Second Circuit must

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125. *Id.*

126. *Mattel, Inc.*, 296 F.3d at 899.

127. *Id.*

128. *See, e.g.*, Jacobs, *supra* text accompanying note 124.

129. Hogan et al., *supra* note 76.

decide how fair use may apply in a digital realm, as well as whether the *Rogers* test may be adapted for use specific to NFTs. Other district courts will look to the *Metabirkins* decision in the near future as NFT lawsuits work their way through litigation, making the strategic interpretation of *Rogers* in the context of NFTs critical in creating concrete guidance.

#### A. *The Rogers Test and its Application to Hermès International*

*Hermès* presents an opportunity for the court to apply the *Rogers* test in a way that extends First Amendment protections to NFTs that are works of art and contribute to the artwork, while simultaneously narrowing *Rogers* in such a way that gives trademark owners more protection against brazen copying.

In his concurring opinion on the *Rogers* ruling, the Honorable Thomas P. Griesa explained that he agreed with the outcome but substantially disagreed with the majority's application of the law.<sup>130</sup> Judge Griesa noted that the test created by *Rogers* created “‘broad immunity’ which would prevent a remedy in instances of ‘flagrant deception.’”<sup>131</sup>

It is quite possible that Judge Griesa was concerned that future applications of the *Rogers* test would be problematic, especially when considering the issues in *Hermès International v. Rothschild*. As hypothesized in *Rogers*, the title—here, *MetaBirkins*—may be found to be so closely related to the artwork—the Birkin bag—that it explicitly confuses consumers. Yet, it provides no remedies for *Hermès* because the *Rogers* test has historically applied to traditional artwork. This lack of any meaningful remedy may prove to be a hurdle for *Hermès* and other brands which seek to expand into the metaverse because of the potential for unfair competition.

As codified in *Rogers v. Grimaldi*, infringers using a trademark for artistic purposes can claim use of a mark in an artistic or expressive work by way of the First Amendment.<sup>132</sup> The courts strive to promote freedom of expression by permitting otherwise infringing artistic works that meet a certain threshold. However, the courts must simultaneously balance legitimate concerns about consumer confusion. The courts are cog-

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130. *Rogers v. Grimaldi*, 875 F.2d 994, 999, 1005 (2d Cir. 1989).

131. *Id.*

132. *Id.*

nizant that any such adjudication that changes the *Rogers* scope may have significant implications on either First Amendment protected speech, or consumer confusion in the market, affecting unknowing consumers' wallets.<sup>133</sup>

As applied to copyright and trademark infringement, First Amendment defenses are proper in two instances: parody, and use of a mark in an artistic or expressive work.<sup>134</sup> For purposes of this Note, only the latter is discussed, as it is the only one at issue in the *Hermès* case.<sup>135</sup>

Before the Lanham Act is even applied to the case at hand, a court must first establish that the work is one of artistic expression.<sup>136</sup> If answered in the affirmative, a court then considers whether the trademark in question (1) “has no artistic relevance whatsoever,” to the underlying work, and (2) “explicitly misleads as to the source or content of the work.”<sup>137</sup> Even where courts are satisfied that the use of the trademark is artistically relevant, a work is not entitled to protection if it is “explicitly misleading as to [its] source or content.”<sup>138</sup>

Applying that analysis to *Hermès*, the Second Circuit will first need to determine if MetaBirkins are expressive works. To determine if a work is expressive, the item at issue must “communicat[e] ideas or express [...] points of view.”<sup>139</sup> If MetaBirkins were a series of physical paintings, it is possible that this prong would be satisfied. Yet MetaBir-

133. *Id.*

134. *Id.*

135. The defendant, Mason Rothschild, cited fair use and the First Amendment as a defense to trademark infringement of the *Hermès* registered Birkin trademarks and trade dress. *Hermes Int'l v. Rothschild*, 590 F. Supp. 3d 647, 651 (S.D.N.Y. 2022).

136. *Id.* at n.1.

137. The *Rogers* Test has been adopted by the Fifth, Sixth, Ninth, and Eleventh Circuits. See *Univ. of Ala. Bd. of Trs. v. New Life Art, Inc.*, 683 F.3d 1266, 1278 (11th Cir. 2012); *Parks v. LaFace Records*, 329 F.3d 437, 452 (6th Cir. 2003); *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 665 (5th Cir. 2000); and *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 902 (9th Cir. 2002).

138. *Rogers v. Grimaldi*, 875 F.2d at 999.

139. *VIP Prods., LLP v. Jack Daniel's Props., Inc.*, 953 F.3d 1170, 1174 (9th Cir. 2020). In the *Gordon* case, the court reversed the holding of the lower court stating that the *Rogers* test was not a “safe harbor for any minimally expressive work that copies someone else’s mark,” and found that the particular greeting card in question directly copied Gordon’s mark onto their greeting card, potentially causing confusion of endorsement where there is none. *Gordon v. Drape Creative, Inc.*, 909 F.3d 257, 261–63 (9th Cir. 2018).

kins are, at their core, cryptocurrency. The Second Circuit will need to address whether cryptocurrency can also be artwork. There are clear cut cases when cryptocurrency, such as Dogecoin and Bitcoin, is *not* art. Still, the unique nature of NFTs places this case in an unexplored middle ground between art and currency. The value of an NFT is derived from its connection with the blockchain (in this case, Ethereum), but NFTs are commonly displayed on online NFT sales websites, much the same as art is displayed in a gallery.<sup>140</sup> The district court addressed this squarely when it concluded that the *Rogers* test *does* apply, meaning MetaBirkin NFTs are expressive works.<sup>141</sup>

Whether the MetaBirkin is an expressive work is likely to be hotly contested. Another notable and potentially bellwether case, *Jack Daniels Products, Inc. v. VIP Products, LLC*, granted certiorari by the United States Supreme Court, which heard oral arguments on March, 22, 2023, argued whether a dog toy is an expressive work.<sup>142</sup> *Jack Daniels* may well factor in the court's analysis in *Hermès*. Case law has established a low threshold for what constitutes an expressive work. The appellate courts have previously found greeting cards, video games, movies, and literary works to be expressive works.<sup>143</sup> The Ninth Circuit concluded, for example, that the work need not be as well known as *Citizen Kane* or *Anna Karenina* to satisfy the first prong of *Rogers*.<sup>144</sup> Rather, the art merely needs some creative expression of an idea to be an expressive

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140. Examples of some online galleries are OpenSea, Basic.Space, and Looks Rare. MetaBirkins have sold on each of these sites. See, e.g., *Baby Birkin*, BASIC.SPACE, <https://basic.space/products/baby-birkin> (last visited Apr. 2, 2023); *MetaBirkins*, LOOKS RARE, <https://looksrare.org/collections/0x566b73997f96c1076f7cF9e2C4576Bd08b1A3750> (last visited Apr. 2, 2023).

141. *Hermès Int'l v. Rothschild*, 603 F. Supp. 3d 98, 103 (S.D.N.Y. 2022).

142. Ronald Mann, *Dog toy poking fun at Jack Daniel's leads to dispute over parody exception to trademark protections*, SCOTUSBLOG (Mar. 20, 2023, 10:57 AM), <https://www.scotusblog.com/case-files/cases/jack-daniels-properties-inc-v-vip-products-llc-2/>.

143. *Gordon*, 909 F.3d at 261–63, 268. It is worth noting that the determination of whether a dog toy is an expressive work is currently at the Supreme Court, with oral arguments set to begin in 2023. This case may change the definition of what constitutes an expressive work. Stefan Sykes, *Supreme Court agrees to hear Jack Daniel's trademark case against dog toy company*, CNBC (Nov. 22, 2022, 1:50 PM), <https://www.cnn.com/2022/11/22/supreme-court-to-hear-jack-daniels-trademark-case-against-dog-toy-company.html>. See also *VIP Products, LLC v. Jack Daniel's Properties, Inc.*, 953 F.3d 1180 (9th Cir. 2020).

144. *Gordon*, 909 F.3d at 261–63, 269.



work.<sup>145</sup> Thus, while not at issue at the trial level, this may be of greater importance on appeal as no opinions on the *Hermès* case to-date have discussed *why* or *which type* of NFT is an expressive work. The district court concluded only that the MetaBirkins *are* expressive works.<sup>146</sup> Further delineation between an expressive NFT and a non-expressive NFT will provide greater clarity for future litigation.

If the Second Circuit recognizes the MetaBirkin NFTs as expressive works, the court must still determine whether the Birkin trademark has artistic relevance to MetaBirkin.<sup>147</sup> The Ninth Circuit in *Rogers* has described the threshold for artistic relevance as “purposely low,” or “above zero.”<sup>148</sup> While the threshold is low, it is clear that this standard does not allow direct copying. This policy is rooted in the statutory protection of a trademark and the balancing of freedom of expression with intellectual property rights. The balance lies in the nuanced interpretation of whether something is a direct copy or has enough of a creative spin which creates artistic relevance. Part of this analysis depends on whether the message surrounding the expressive work would be understood by the audience.<sup>149</sup>

In the case at hand, Rothschild will face an uphill battle to prove to the Second Circuit that his message concerning animal cruelty was understood, that the Birkin bag was essential to his expressive work, and that the name “Birkin” was not arbitrarily used. While the shape of the Birkin bag is an essential part of the artwork, Rothschild must argue *how* this is an expression. Accordingly, Rothschild must show that the Birkin bag is essential to his expressive purpose, which he failed to do convincingly at trial. The MetaBirkin title may be afforded protection *if* the Second Circuit finds persuasive Rothschild’s argument that the NFT “provides commen-

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145. *Id.* (quoting *Brown v. Elec. Arts, Inc.*, 724 F.3d 1235, 1241 (9th Cir. 2013)).

146. By stating that the *Rogers* test applies at least in part, the district court implies that MetaBirkins is an expressive work. *Hermès Int’l*, 603 F. Supp. 3d at 102.

147. *Hermès Int’l v. Rothschild*, 590 F. Supp. 3d 647, 651 n.1. (S.D.N.Y. 2022).

148. Sholder, *supra* note 73 (quoting *Louis Vuitton Mallatier S.A. v. Warner Bros. Entm’t Inc.*, 868 F. Supp. 2d 172, 178 (S.D.N.Y. 2012)). *See also* *E.S.S. Ent. 2000, Inc. v. Rock Star Videos, Inc.*, 547 F.3d 1095, 1100 (9th Cir. 2008).

149. *Hilton v. Hallmark Cards*, 599 F.3d 894, 904 (9th Cir. 2010) (quoting *Spence v. Washington*, 418 U.S. 405, 410–11 (1974) (per curiam)).

tary on the relationship between consumerism and the value of art and is therefore protected by the First Amendment.”<sup>150</sup>

As it currently stands, Rothschild’s message was not understood by the district court as a work of art unrelated to the trademark used. In a May 2022 interview, Rothschild stated that he listed the MetaBirkins as “an ironic nod to the iconic Birkin bag by Hermès,” and a “tribute” to Hermès’s well-known bag as “an experiment to see if [he] could create that same kind of illusion that [the Birkin bag] has in real life as digital commodity.”<sup>151</sup> In a sense, Rothschild acknowledged the inherent value surrounding the Birkin bag’s unmistakable characteristics.<sup>152</sup> Yet in later interviews, Rothschild stated that his MetaBirkins were actually a commentary on the Birkin bag and its use of leather products, specifically on the use of animal products.<sup>153</sup> Rothschild has also separately claimed that Birkin bags are a commentary on society’s view of luxury, which he argues prompt people to think about what society gives value to.<sup>154</sup>

Ultimately, the district court did not find that the trademark was relevant to the expressive work, resulting in MetaBirkins failing the *Rogers* test. As stated in the *Rogers* opinion, if a court determines “that the use of a trademark was ‘artistically relevant’ to the underlying work [the court] must still decide whether the defendant’s work was ‘explicitly misleading’” and thus is not afforded First Amendment protection.<sup>155</sup> More specifically, *Rogers* states that if there is some artistic relevance of the title to the underlying work, “the work is not explicitly misleading as to the content of the work, it is not false advertising under the Lanham Act[.]”<sup>156</sup> Therefore, the appellate court will need to determine whether

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150. Maya Ernest, *The Hermès and MetaBirkins lawsuit could set legal precedents for NFTs*, INPUT: STYLE (July 28, 2022), <https://www.inverse.com/input/style/hermes-metabirkin-nft-lawsuit-legal-precident-potential>.

151. *Hermès v. Rothschild: A Timeline of Developments*, *supra* note 107.

152. Mario Abad, *Hermès Wins MetaBirkins Lawsuit*, PAPER (Feb. 8, 2023), <https://www.papermag.com/hermes-metabirkins-timeline-2656217210.html> (offering a comprehensive timeline of the case and reasons underlying the claims).

153. Cassell Ferere, *Digital Artist Mason Rothschild Drops 100 ‘MetaBirkins’ NFTs Through Basic.Space*, FORBES (Dec. 13, 2021, 4:30 PM), <https://www.forbes.com/sites/cassellferere/2021/12/13/digital-artist-mason-rothschild-drops-100-metabirkins-nfts-through-basicspace/?sh=16d9bbf42000>.

154. Lee, *supra* note 108.

155. *Rogers v. Grimaldi*, 875 F.2d 994, 999 (2d Cir. 1989).

156. *Id.* at 1000.

the trial court erred in finding that an ordinary consumer would recognize the Birkin bag in the work.

Rothschild's NFTs may rise to the level of being explicitly misleading. There is currently a disclaimer on the MetaBirkin website that reads: "We are not affiliated, associated, authorized, endorsed by, or in any way officially connected with HERMÈS, or any of its subsidiaries or its affiliates. The official HERMÈS website can be found at <https://www.Hermès.com/>."<sup>157</sup> Yet, Rothschild's slogan for his NFTs is "Not your mother's Birkin," which could be perceived by consumers in two different ways. On one hand, it could be perceived as being something wholly separate from the physical Hermès Birkin bag. On the other hand, using the trademarked Birkin name alongside the trade dressed shape could invoke a new version of the Birkin by Hermès rather than the creation by a separate entity.

Additionally, there is reason to doubt the clarity of Rothschild's artistic message given the evidence of actual confusion by multiple magazines who believed the NFTs to be a part of a collaboration with the fashion label.<sup>158</sup> Hermès argued that the Birkin NFTs were specifically chosen to play off the widely known trademark and fame of its handbag, which increased the NFTs' value.<sup>159</sup>

### *B. The Future of Trademark Issues and NFTs*

While the *Rogers* Test remains relatively easy for courts to apply, it will only be useful in cases where the main purpose of the NFT is to be a work of art. For commercial NFTs, or any one of the other many underlying uses,<sup>160</sup> *Rogers* does not apply.

Overall, the district court concluded that the MetaBirkin NFTs are expressive works, although the Second Circuit's opinion is yet to be de-

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157. METABIRKINS, <https://metabirkins.com/> (last visited Apr. 2, 2023) (on file with *California Western Law Review*). As of April 7, 2023, this webpage is no longer live, potentially due to Hermès's pending motion for permanent injunction.

158. *Hermès v. Rothschild: A Timeline of Developments*, *supra* note 107.

159. Amended Complaint at 2–3, *Hermès Int'l v. Rothschild*, 590 F. Supp. 3d 647 (S.D.N.Y. 2022) (No. 22-cv-384 (JSR)).

160. See generally Jeff Wilser, *15 NFT Use Cases that Could Go Mainstream*, COINDESK: FEATURES (Oct. 14, 2021, 9:52 AM), <https://www.coindesk.com/business/2021/10/14/15-nft-use-cases-that-could-go-mainstream/> (describing other uses representing a physical item, including gaming tokens and avatar wearables).

terminated. There are many NFTs, however, that may not be so clearly defined by the court as an expressive work. If a dog toy's classification as an expressive work is at issue, it is likely that an NFT such as this one that may have multiple uses could be found not to meet the threshold required for an expressive work (e.g., a token for an online game, or, as the district court in Rothschild pointed out, an item like the MetaBirkins that is wearable by an avatar in the metaverse).<sup>161</sup> These cases remain in a grey area that further complicates infringement concerning NFTs.

Separately, in cases where likelihood of consumer confusion exists, courts within the Second Circuit's jurisdiction may apply a different test, applying the *Polaroid* factors, taken from *Polaroid v. Polarad Elecs. Corp.*<sup>162</sup> The *Polaroid* factors, which are used to determine likelihood of confusion in trademarks, would create another issue of first impression for the court. While the application of the *Polaroid* factors is beyond the scope of this Note, it is worth noting that applying the *Polaroid* factors to this case, in addition to the *Rogers* test, would be a substantial first step in codifying the application of traditional trademark law to NFTs.<sup>163</sup> While this is not the focus of the opinion in response to the motion to dismiss or motion for interlocutory review, it may provide another opportunity for the Second Circuit Court of Appeals to apply traditional intellectual property laws to NFTs.<sup>164</sup>

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161. *Hermès International v. Rothschild*, 603 F. Supp 3d 98, 107 n.1 (S.D.N.Y. 2022).

162. *See generally* *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961).

163. The *Polaroid* factors are used by Second and D.C. Circuit to determine the likelihood of confusion in trademark disputes. There are eight factors total: (1) strength of the plaintiff's mark; (2) similarity of the marks; (3) proximity of the products; (4) likelihood that the plaintiff will bridge the gap between the two products; (5) actual confusion; (6) defendant's good faith in adopting its own mark; (7) quality of defendant's product; and (8) sophistication of the buyers of the plaintiff's and defendant's goods or services. It is worth noting that each circuit uses their own factor tests to analyze likelihood of confusion. *Likelihood of Confusion Factors Circuit-by-Circuit Chart*, LexisNexis: Likelihood of Confusion Resource Kit (database updated July 28, 2022).

164. Hermès defeated MetaBirkins creator Mason Rothschild in a nine-person jury which tested the "blurry line between art, consumer products." Isaiah Poritz & Hadriana Lowenkron, *Hermès Defeats MetaBirkins in the First NFT Trademark Trial (1)*, BLOOMBERG LAW (Feb. 8, 2023, 10:42 AM), <https://news.bloomberglaw.com/ip-law/hermes-gets-win-over-metabirkins-in-first-nft-trademark-trial>. The jury awarded \$133,000 in damages to Hermès finding that Rothschild's NFTs are not protected under the First Amendment. *Id.*

The many possible uses of NFTs (the most common use being artwork) have created a new space for potential issues in infringement and the probable expansion of the fair use doctrine. Because *Hermès International v. Rothschild* was the first to see a trial—and since the *Rogers* Test has been adopted by every circuit that has addressed a *Rogers* issue—extending the *Rogers* test to a new, intangible medium will surely create new precedent. This precedent will either expand or restrict the application of fair use in the newly developing metaverse.

## VI. CONCLUSION

The landscape of the digital universe is rapidly expanding, faster than the legislature can adapt. While the public continues to speculate as to whether NFTs and cryptocurrencies are here to stay, lawmakers have been slow to adapt any formal acknowledgement of the new global currency and its accompanying emerging technologies. This may subsequently change while *Hermès* makes its way through the Second Circuit.<sup>165</sup> Consequently, litigation has ensued for a range of intellectual property, securities, and contract issues. Further, since *Miramax* and other early NFT cases settled before these digital-age issues could be adjudicated, the courts missed opportunities to modify existing case law.

Yet, with increasing numbers of NFTs minted daily, there are new opportunities for both legislators and courts to analyze the core issues surrounding these new technologies, and whether they are protected by the First Amendment and intellectual property laws. While no clear solution has presented itself, in *Hermès International v. Rothschild*, the digital world leans closer to extending traditional intellectual property protections to digital assets. This, however, does not account for the unique nature of an NFT, which is too often treated like a piece of art, and too little like the complex, digitally coded currency that it is.

While the NFT market remains unstable, the increasing commercialization of the NFTs by global brands demonstrates a potential for longevity akin to new-aged art or real estate assets. Or, at least a digital version

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165. Rothschild commented that the issue was “far from over” and his attorneys stated they would appeal the trial court’s decision. *Id.* See also Rosemary Feittelberg, *Hermès Wins Court Battle Against Mason Rothschild Over ‘MetaBirkins’ NFTs*, WOMEN’S WEAR DAILY (Feb. 8, 2023, 12:19 PM), <https://wwd.com/fashion-news/designer-luxury/hermes-wins-court-battle-over-metabirkins-nfts-mason-rothschild-1235510445/>.

of a physical asset. Although some traditional investors believe NFTs and other cryptocurrency exchanges to be too unstable to be reliable investments, the unique, adaptable nature of NFTs provides a new global investment market that is expanding at a rate similarly experienced at the dawn of the internet in the 1990s. As with NFTs, the primary purpose of which is to be digital art, values will always fluctuate depending on the popularity of the artist. In this way, NFTs are analogous to physical paintings which can increase dramatically in value after the death of the artist.<sup>166</sup>

Like the beginning of the internet, the introduction of something so innovative and abstract is bound to have its critics. Robert Metcalfe, the inventor of ethernet, stated in 1995 that he believed the internet “will soon go spectacularly supernova and in 1996 catastrophically collapse.”<sup>167</sup> Similarly, in a 1995 article by Newsweek entitled “The Internet? Bah!,” Clifford Stoll, a renowned astronomer, author, and professor stated that “visionaries see a future of telecommuting workers, interactive libraries and multimedia classrooms,” but that this was clearly “baloney.”<sup>168</sup> Both naysayers’ prognostications ended up being spectacularly wrong.

The NFT marketplace and other cryptocurrency exchanges are marked by similar doomsday forecasts from commentators who see digital assets as nothing more than over-valued, dangerously unregulated, and historically volatile investments.<sup>169</sup> Drawing the obvious similarities between the infancy of NFTs and the early days of the internet, as NFTs

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166. After the initial sale of the painting, and often, after the death of the artist, paintings can dramatically increase in value. For example, “Untitled” by Jean-Michel Basquiat originally sold for \$20,900, but at auction after his death sold for \$110,487,500. Dominic-Madori Davis, *9 Famous Paintings that Sold at Auction for Millions More Than Their Earlier Value*, BUS. INSIDER (May 13, 2020 8:55 AM), <https://www.businessinsider.com/famous-paintings-that-sold-for-millions-over-original-value-masterworks-2020-5>. See also Emily Bobrow, *The Appeal of Artists Who Won Fame After Death*, WALL ST. J. (Dec. 10, 2021 9:26 AM), <https://www.wsj.com/articles/the-appeal-of-artists-who-won-fame-after-death-11639146396>.

167. Kyle Russell, *11 Hilariously Wrong Predictions About the Internet*, INSIDER (Nov. 4, 2013, 6:01 PM), <https://www.businessinsider.com/11-hilariously-wrong-internet-predictions-2013-11>.

168. Zee, *Newsweek in 1995: Why the Internet will Fail*, THE NEXT WEB (Feb. 27, 2010, 7:30 PM), <https://thenextweb.com/news/newsweek-1995-buy-books-newspapers-straight-intenet-uh>.

169. Miranda Marquit, *13 Reasons People Think Crypto Investing is a Bad Idea*, FIN. BUZZ (Aug. 25, 2022), <https://financebuzz.com/reasons-crypto-is-a-bad-idea>.

and other fungible tokens increase in mainstream popularity, the courts will need tools to make informed decisions in handling the unique aspects of NFTs that interplay with intellectual property law. As commercial NFTs evolve for use in video games and online platforms, or as confirmation of ownership of physical items and more, big businesses will find ways to market their trademarked products in this new domain. As the metaverse expands, and the use of cryptocurrency becomes more commonplace and regulated, an increase in conflicts concerning the intellectual property rights associated with NFTs, including claims of cyber-squatting, unfair competition, false advertising, and false representation of products and services is also foreseeable. With the inevitable expansion of NFTs, *Hermès International v. Rothschild* stands to be the first of many cases to set a precedent for how these unique issues will be litigated in federal court. As the *Hermès* case ultimately makes its way through the Second Circuit and potentially beyond, tailoring the *Rogers* Test to apply to non-commercial NFTs will offer a partial solution to the myriad of new and notable issues surrounding this novel form of international currency.

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